AUDITOR GENERAL
Alberta

Office of the Ombudsman

Financial Statements

As at March 31, 1999

Office of the Ombudsman

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OFFICE OF THE OMBUDSMAN

FINANCIAL STATEMENTS

As at March 31, 1999

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AUDITOR GENERAL
Alberta

AUDITOR'S REPORT

To the Members of the Legislative Assembly

I have audited the statement of financial position of the Office of the Ombudsman as at March 31, 1999 and the statements of changes in net liabilities, operations, and changes in financial position for the year then ended. These financial statements are the responsibility of the Office's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

The Office of the Ombudsman has chosen to follow Alberta corporate government accounting policies and reporting practices as disclosed in Note 3. The corporate government accounting policies have been established by Alberta Treasury and are consistent across Alberta government organizations. With certain exceptions, the basis of accounting is in accordance with generally accepted accounting principles. My reservation of opinion in this auditor's report identifies the exceptions from generally accepted accounting principles that arise from following the accounting policies established by Alberta Treasury.

The following accounting policies are exceptions from generally accepted accounting principles:

Pension obligations

Obligations to pension plans for current and former employees of the Office have not been recognized as a liability in the accompanying statement of financial position and consequently the annual change in the liability has not been recognized in the statement of operations. In my view, on a basis of allocation similar to that used for Provincial agencies, an amount of approximately $76,000 due to pension plans at March 31, 1999, in the Office's capacity as employer, and which is reflected in the financial statements of the Department of Treasury, should be recognized as a liability in these financial statements. The effect of not recognizing the annual change in the liability is to overstate the Office's expenses for the year ended March 31, 1999, by $51,000.

Capital assets

The Office employs a policy of expensing capital asset purchases under $15,000 in the year of acquisition. Consequently, a significant amount of resources available to the Office for future use has been recorded as if it had been consumed. It is estimated that at March 31, 1999, assets have been understated and net liabilities overstated by approximately $142,000 representing the unconsumed cost of capital assets at that date.

If capital asset purchases expensed on acquisition in the current year and previous years had instead been capitalized, amortization on these assets would have been included in expenses of the current year. The value of capital asset purchases that were expensed in the current year exceeds the amount that would have been charged to amortization, overstating expenses for the year ended March 31, 1999 by $107,500.

Excluded direct costs

Accommodation and certain other administration costs incurred in the operation of the Office have not been included in expenses. These costs, estimated at $81,500 for accommodation only, are recorded by the government departments that paid the expenses on behalf of the Office of the Ombudsman.

In my opinion, except for the effects of the matters discussed in the preceding sections, these financial statements present fairly in all material respects, the financial position of the Office at March 31, 1999 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Peter Valentine FCA
Auditor General

Edmonton, Alberta
December 8, 1999

OFFICE OF THE OMBUDSMAN

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 1999

	1999	1998
Current assets:		
Cash	250	$ 250
Advances	4,500	2,500
	$ 4,750	$ 2,750
Current liabilities:		
Accounts payable and accrued liabilities	73,320	$ 100,905
Accrued vacation pay	76,826	70,957
	150,146	171,862
Net liabilities	(145,396)	(169,112)
	$ 4,750	$ 2,750

The accompanying notes are part of these financial statements.

OFFICE OF THE OMBUDSMAN

STATEMENT OF CHANGES IN NET LIABILITIES

FOR THE YEAR ENDED MARCH 31, 1999

	1999	1998
Net liabilities at beginning of year	$ (169,112)	$ (88,132)
Net operating results	(1,343,313)	(1,082,798)
Net transfer from general revenues	1,367,029	1,001,818
Net liabilities at end of year	$ (145,396)	$ (169,112)

OFFICE OF THE OMBUDSMAN

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31, 1999

	1999		1998
	Budget (Note 5)	Actual	Actual
Expenses:			
Voted:			
Salary, wages, and employee benefits		1,022,392	888,259
Supplies and services		315,052	180,342
	$ 1,460,500	1,337,444	1,068,601
Valuation adjustments			
Provision for vacation pay		5,869	14,197
Net operating results		$ (1,343,313)	$ (1,082,798)

OFFICE OF THE OMBUDSMAN

STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE YEAR ENDED MARCH 31, 1999

	1999	1998
Operating transactions:		
Net operating results	$ (1,343,313)	$ (1,082,798)
(Increase) decrease in advances	(2,000)	2,000
Increase (decrease) in accounts payable and accrued liabilities	(27,585)	64,783
Increase (decrease) in accrued vacation pay	5,869	14,197
Cash used by operating transactions	(1,367,029)	(1,001,818)
Financing transactions:		
Net transfer from general revenues	1,367,029	1,001,818
Net cash provided	-	-
Cash, beginning of year	250	250
Cash, end of year	$ 250	$ 250

OFFICE OF THE OMBUDSMAN

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1999

Note 1 Authority

The Office of the Ombudsman (the "Office") is operated under the authority of the Ombudsman Act. The net cost of the operations of the Office is borne by the General Revenue Fund of the Province of Alberta. Annual operating budgets are approved by the Select Standing Committee on Legislative Offices.

Note 2 Purpose

The Office of the Ombudsman promotes fairness in public administration within the Government of Alberta.

Note 3 Summary of Significant Accounting Policies and Reporting Practices

These financial statements are prepared in accordance with the following accounting policies that have been established by the Government of the Province of Alberta for the use in departments. The recommendations of the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants are the primary source for these government policies. Recommendations of the Accounting Standards Board of the Canadian Institute of Chartered Accountants, other authoritative pronouncements, accounting literature, and published financial statements relating to either the public sector or analogous situations in the private sector are used to supplement the recommendations of the Public Sector Accounting Board where it is considered appropriate.

a) Reporting Entity

The reporting entity is the Office of the Ombudsman, for which the Ombudsman is responsible.

The Office operates within the General Revenue Fund (the "Fund"). The Fund is administrated by the Provincial Treasurer. All receipts of the Office are deposited into the Fund and all disbursements made by the Office are paid from the Fund.

Note 3 Summary of Significant Accounting Policies and Reporting Practices (continued)

b) Basis of Financial Reporting

Expenses

Expenses represent the costs of resources consumed during the year on the Office's operations. Expenses include amortization of capital assets.

Pension costs included in these statements comprise the cost of employer contributions for current service of employees during the year and additional employer contributions for employee's service relating to prior years.

Certain expenses, primarily for office space, and banking services, incurred on behalf of the Office by government departments are not reflected in the Statement of Operations.

Valuations Adjustments

Valuation adjustments include changes in the valuation allowances used to reflect financial assets and liabilities at their net recoverable or other appropriate value.

Assets

New systems development below $100,000 and other capital assets below $15,000 are expensed as acquired. Assets acquired by right or donation are recorded at nil cost.

Recorded assets of the Office are limited to cash and financial claims, such as advances to employees.

Liabilities

Liabilities include all financial claims payable by the Office at fiscal year end, except long-term disability benefits and certain pension benefits, which are reflected in the financial statements of Treasury Department on behalf of the Office.

Note 3 Summary of Significant Accounting Policies and Reporting Practices (continued)

b) Basis of Financial Reporting (continued)

Net Liabilities

Net liabilities represent the difference between the recorded value of the assets of the Office and its liabilities.

Valuation of Financial Assets and Liabilities

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of advances, accounts payable and accrued liabilities are estimated to approximate their book values.

Note 4 Lease Obligations

Future minimum operating lease payments for equipment for each of the next five years and in aggregate are as follows:

2000	2,784
2001	885
2002	-
2003	-
Total	$ 3,669

Note 5 Budget

Expenses:	
1998-99 authorized budget[(a)]	$ 1,460,500
1998-99 actual expenses (excluding valuation adjustments)	1,337,444
1998-99 unexpended (excluding valuation adjustments)	$ 123,056

(a) Legislative Assembly Estimates approved on March 26, 1998.

Note 6 Related Party Transactions

The net transfer from general revenues is disclosed in the Statement of Changes in Financial Position. Alberta Infrastructure provided accommodation to the Office at no cost.

The Office paid Payment Systems Corporation "(PSC)", which until March 31, 1999 was a joint venture partially owned by the Province of Alberta, $7,087 (1998 - $4,514) for computer processing.

The Office and its employees paid certain taxes and fees set by regulation for permits, licenses, and other rights. These amounts were incurred in the normal course of business and reflect charges applicable to all users.

Note 7 Uncertainty Due to Year 2000

The year 2000 issue is the result of some computer systems using two digits rather than four to define the applicable year. The Office of the Ombudsman's computer systems that have date sensitive software may recognize a date using "00" as the year 1900 rather than the year 2000, which could result in miscalculations or systems failures. In addition, similar problems may arise in some systems if certain dates in 1999 are not recognized as a valid date or are recognized to represent something other than a date. The effects of the year 2000 issue may be experienced before, on, or after January 1, 2000. If not addressed, the effect on operations and financial reporting may range from minor errors to significant systems failure that could affect the ability to conduct the Office's operations. Despite the Office's efforts to address this issue, it is not possible to be certain that all aspects of the year 2000 issue affecting the Office, including those related to the efforts of customers, suppliers and other third parties, will be fully resolved.

Note 8 Approval of Financial Statements

These financial statements were approved by the Ombudsman.